

**State Executive Council for Children's Services
Finance and Audit Committee**

**November 18, 2019
2:00 – 4:00 PM**

**Hanover Room
1604 Santa Rosa Rd., Richmond, VA 23229**

AGENDA

1. Welcome and introductions
2. Review and Approval of Minutes from the February 2019 meeting.
3. Status report on CSA audit activities FY2019 and FY2020 Audit Plan
 - Independence and Objectivity Statement (Handout)
 - Summary of FY2019 Audit findings and Denial of Funds report (draft for review)
 - FY2020 CSA Audit Plan
4. Update on Continuous Quality Improvement activities
5. Overview of the FY2019 CSA final utilization and expenditures and budget requests for the FY2021-2022 biennium
 - Forecast based increases
 - Additional training resources
 - Additional IT resources
 - Redo of the private day special education cost study
6. Data system enhancements
 - Audit management software
 - LEDRS validations and improvements

Materials:

Independence Statement

CSA Audit Plan 2020

Annual Report to the SEC on the CSA Audit Program (FY2019) - Draft

Summary data on FY2019 CSA utilization and expenditures

Summary of FY2021-2022 budget decision packages

DRAFT

**State Executive Council (SEC) Finance and Audit Committee Meeting
Hanover Room
1604 Santa Rosa Road
Richmond, VA 23229
February 27, 2019**

Attending:

The Honorable Mary Biggs, Member, Montgomery County Board of Supervisors
Karen Kimsey for Jennifer Lee, M.D., Director, Department of Medical Assistance Services (DMAS)
(by telephone)
S. Hughes Melton, M.D., Commissioner, Virginia Department of Behavioral Health and
Developmental Services (DBHDS)
R. Morgan Quicke, County Administrator, Richmond County (by telephone)
Dottie Wells for Duke Storen, Commissioner, Virginia Department of Social Services (VDSS)
Kim Piner, Senior Assistant Attorney General, Office of the Attorney General
Scott Reiner, Executive Director, Office of Children's Services (OCS)
Zandra Relaford, Assistant Director (OCS)
Maris Adcock, Finance and Business Operations Manager (OCS)
Stephanie Bacote, Program Audit Manager (OCS)
Marsha Mucha, Administrative Assistant (OCS)

Welcome and Introductions

Scott Reiner called the meeting to order at 3:05 p.m. and welcomed everyone. Introductions were made. A motion allowing Ms. Kimsey and Mr. Quicke to participate in the meeting by telephone was made by Mary Biggs, seconded by Dottie Wells and carried.

Review of Committee Charter

Mr. Reiner provided members with the Committee Charter as approved in January 27, 2016. He also provided background information on the formation of the Committee as an ad hoc committee of the SEC and the Committee's work on policy 4.7, *Response to Audit Findings with Regard to the Children's Services Act*, which was adopted by the SEC in December 2017.

Orientation to the CSA Audit Program and Status Report on CSA Audit Activities

Stephanie Bacote, OCS Program Audit Manager, provided an orientation to the CSA audit program. She reviewed documents Committee members received related to the CSA auditing process, including the Program Audit Charter and the current CSA Audit Plan. Mrs. Bacote explained the audit engagement process for Committee members.

Mrs. Bacote further reported that the Audit team also provides training and education (i.e. CSA Conference) as well as providing technical assistance and assisting the CSA Program Consultants on matters related to individual localities.

Mr. Reiner followed-up Mrs. Bacote's presentation with the SEC's policies on denial of funds and the dispute resolution process. As previously noted, the SEC adopted policy 4.7, *Response to Audit Findings with Regard to the Children's Services Act*. The purpose of the policy is to guide OCS and improve consistency and transparency for localities when the OCS Executive Director is carrying out his/her duties under the SEC's Denial of Funds Policy in response to OCS audit non-compliance findings by local

DRAFT

CSA programs. He further explained that, internally, OCS has established an Administrative Action Referral Procedure by which referrals for administrative action regarding non-compliance findings in audits of local CSA programs are managed by OCS.

Overview of the CSA Budget, Recent General Assembly Actions and Current Budget Issues

Maris Adcock, OCS Finance and Business Operations Manager, provided an overview of the CSA budget and actions from the recently completed General Assembly session. Mr. Adcock noted that the Virginia Department of Education (DOE) serves as the OCS Fiscal Agent for the state pool funds. VDSS provides routine administrative support services to OCS through a Memorandum of Understanding (MOU).

Other CSA budget considerations include:

- An adjustment in appropriation for caseload and utilization (reduction of approximately \$6M in FY19 and FY20).
- A limit in expenditure growth in CSA (reduction of \$10M in FY20 to reflect a lower rate of spending growth for private day special education rates). Rates paid by localities for these services shall not exceed two percent above the rates paid in the prior fiscal year.

Mr. Adcock also addressed and answered questions concerning the funding allocation process, supplemental funding requests, and the local match rate.

Mr. Reiner noted that OCS would keep the Committee informed on the CSA budget development process once that activity begins later in the year.

Discussion of Future Agenda and Proposed Meeting Schedule

Mr. Reiner reported that he would like the Committee to consider the frequency of Committee meetings and selection of a Committee Chair from among the SEC members serving on the Committee. After discussion, it was decided that Mary Biggs and Morgan Quicke would serve as Co-Chairs. Ms. Biggs will report on behalf of the Committee at the SEC's March meeting. Members also decided to meet every six months in the month before an SEC meeting.

Update of the Committee Charter

Members reviewed a draft of an updated Committee Charter. Mr. Reiner noted that items 5 and 6 of the current Charter had been completed and removed from the draft. Dr. Melton recommended additional wording for item 1. Mr. Reiner will revise. Members agreed to adopt the draft Charter with today's date as the revision date.

Adjournment

There being no further business, the meeting adjourned at 4:50 p.m.



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES *Administering the Children's Services Act*

MEMORANDUM

To: Scott Reiner, Executive Director

From: Stephanie S. Bacote, Program Audit Manager 

Date: October 9, 2019

Subject: Statement of Organizational Independence and Objectivity

The program audit activity must be independent and program auditors must be objective in performing their work. The independence of the program audit activity must be confirmed at least annually. The Chief Audit Executive (hereafter referred to as Program Audit Manager) must confirm to the Executive Director of the Office of Children's Services the organizational independence of the program audit activity.

Organizational independence is effectively achieved when the Program Audit Manager reports functionally and administratively to the Executive Director. This is affirmed in the program audit activity's Audit Charter (Page 2 – Organization Section) that "the Program Audit Manager reports functionally and administratively to the Executive Director of the Office of Children's Services." The nature of the functional reporting relationship provides the direct interaction needed to promote independence and communicate audit results. This provides the Program Audit Manager with direct access to the Executive Director for sensitive matters, enables sufficient organizational status, and provides the authority for audit to perform duties unimpeded. This reporting level within the organization allows the program audit activity to fulfill its responsibilities.

The Institute of Internal Auditors **defines Independence** as "the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. The Institute of Internal Auditors **defines Objectivity** as an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual, auditor, and engagement, functional and organizational levels. Impairments to independence and objectivity generally include self-interest, self-review, familiarity, bias, or undue influence. These situations can lead to personal conflicts of interest, scope limitations, resource limitations or restrictions on access to records, personnel or properties.

Statement of Organizational Independence and Objectivity

October 9, 2019

Page 2

For fiscal year 2019, program auditors signed acknowledgement statements of independence, confidentiality, and conflicts of interest to disclose the existence or nonexistence of conflicts. The department is independent and objective in performing its audit work. Auditors have maintained an impartial, unbiased attitude. There has been no personal conflict of interests. There have been no restrictions on access to records, personnel and properties. Thus, independence and objectivity of the program audit activity is confirmed at the organizational, engagement, and individual level.

**Cc: Annette Larkin, Program Auditor
Donald Barcomb, Program Auditor
Rendell Briggs, Program Auditor**

**Annual Report of the Office of Children's Services Audit Program
to the State Executive for Children's Services
Audits Conducted in FY 2019**

This report is submitted in accordance with State Executive Council for Children's Services Policy 4.7 (Response to Audit Findings with Regard to the Children's Services Act). Section 4.7.8 of the policy states: "The OCS Executive Director shall annually report to the SEC a summary of the year's audits, audit findings, and any remedial actions taken."

Summary of OCS Audit Findings – Denial of Funds

FY2019

Status as of November 12, 2019

Number of Completed Audits:	53
Number of Completed Audits With No Denial of Funds:	38 of 53 (72%)
Number of Completed Audits With No Findings:	17 of 53 (32%)
Percent of Completed Audits with Denied Funds*	15 of 53 (28%)

Range of Audit Findings (of 15 completed audits with denial of funds)

	Number of Localities	Total Amount Denied
Up to \$4,999	11	\$15,036
\$5,000 - \$9,999	1	\$5,835
\$10,000 - \$24,999	2	\$26,340
\$25,000 - \$49,999	0	\$0
Greater than \$50,000	1	\$57,653
Total Funds Denied		\$104,864
Total State Share of Funds		\$276,123,577
% of Funds Denied		<1%

*There are eight (8) findings which may still request appeal within 45 days of receipt between 11/12 and 12/27/2019.



**PROGRAM AUDIT ACTIVITY
SUMMARY REPORT (DRAFT)
FISCAL YEAR (FY) 2019 AUDIT PLAN**

AUDIT PLAN:		FY 19 AUDIT ENGAGEMENTS	
	Total	Onsite	Validations
Number of Audits Scheduled	53	21	32
Number of Audits Completed	53	21	32
Percent of Completion	100%	100%	100%

OBSERVATIONS:		FY 19 AUDIT ENGAGEMENTS	
Total	% of FY 19 Audits	Onsite	Validations
No Reportable Observations Percent by Engagement Type	17 32%	7 33%	10 31%
Reportable Observations Percent by Engagement Type	36 68%	14 67%	22 69%

SYSTEMIC OBSERVATIONS	SEC POLICY 4.7 RESPONSE TO AUDIT FINDINGS - INCOMPLIANCE LEVEL	# OF LOCAL PROGRAMS	% of ALL FY 19 AUDITS	COMMENTS
CPMT utilization management activities outlined in COV section 2.2-5206 were not evidenced	Level 1	18	34%	Repeat observation for 11 (62%) of the affected localities
Community Policy and Management Team (CPMT) membership and/or Family Assessment and Planning Team membership does not meet Code of Virginia (COV) sections 2.2-5205 and 2.2-5207 requirements; absent parent, private provider, and/or local government official representatives.	Level 1	15	28%	Repeat observation for 5 (33%) of the affected localities; 10 (67%) of the 15 were missing a parent representative on CPMT, FAPT, and/or both
Child and Adolescent Needs and Strengths (CANS) assessments (initial, annual, and discharge) were not completed in accordance with COV section 2.2-5212 and CSA Policy 3.6 Mandatory Uniform Assessment Instrument	Level 2	13	25%	Repeat observation for 11 (8%) of the affected localities; initial assessments were not completed for 8 (62%) of the 13
Statement of Economic Interest forms were not completed by non-public members of CPMT and FAPT pursuant to COV 2.2-5205 and COV 2.2-5207	Level 1	9	17%	Repeat observation for 2 (22%) of the affected localities
CSA pool funds were expended for services that were eligible for another funding source (Title IV-E, Medicaid, and/or responsibility of another agency)	Level 3	9	17%	Repeat observation for 1 (11%) of the affected localities
Local policies and procedures did not always align with CSA statutes and/or policies. Program did not document policies to govern Intensive Care Coordination services, bids for development of services, and records management or were in contradiction to existing statutes and/or policies. (Code of Virginia 2.2-5200 et al and CSA Policy Manual).	Level 1	8	15%	Repeat observation for 3 (38%) of the affected localities
CPMT authorization of funding required by COV section 2.2-5206 was not evidenced in all expenditure transactions	Level 3	6	11%	Repeat observation for 1 (17%) of the affected localities
Consent to exchange information forms were expired or not evidenced for all client case files examined as required by COV section 2.2-5210	Level 2	5	9%	
Services funded were not documented in a service plan recommended by FAPT as required per COV section 2.2-5208 and CSA Policy 3.5 Records Management	Level 3	4	8%	
Coordination of long-range planning pursuant to COV section 2.2-5206 was not evidenced	Level 1	3	6%	Repeat observation for 100% of the affected localities
Emergency placements were not referred and assessed by FAPT within 14 days of placement in accordance with COV section 2.2-5208	Level 3	3	6%	



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES
Administering the Children's Services Act

July 23, 2019

MEMORANDUM

TO: Scott Reiner, Executive Director
FROM: Stephanie S. Bacote, Program Audit Manager
SUBJECT: Fiscal Years 2020-2022 Audit Work Plan

The Fiscal Years 2020-2022 Audit Work Plan for the Office of Children's Services (OCS) Program Audit Activity is enclosed. The workload is divided into three audit categories:

- On-Site Audits
- Self-Assessment Audits
- Special Projects

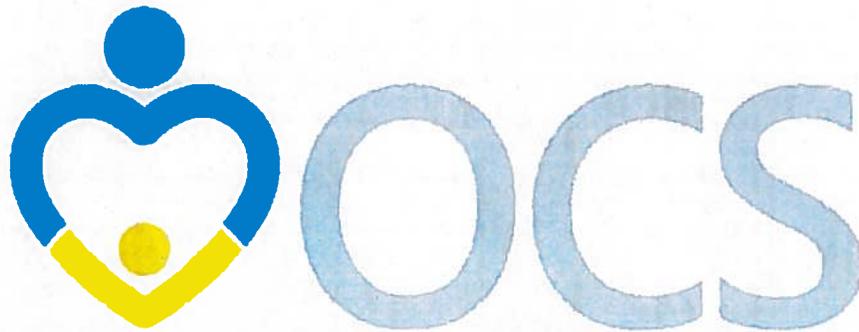
The scope of these audits is to conduct an independent, objective evaluation of locally administered Children's Services Act (CSA) programs in order to provide reasonable assurance that the mission, vision, goals and objectives of CSA and OCS are accomplished. The basis for the audit selections included risk assessment, management input, and the established audit cycle (every three years). In addition, due consideration was given to the availability of resources to successfully execute this plan. We anticipate that audits of all local CSA programs will be conducted by the end of the audit plan cycle.

In accordance with the Institute of Internal Auditors, Standards for the Professional Practice of Internal Auditing, we are submitting this plan for your approval.

Approved

A handwritten signature in black ink, appearing to read "Scott Reiner", written over a horizontal line.

Scott Reiner, Executive Director



Office of Children's Services
Empowering communities to serve youth

Audit Plan

Fiscal Years 2020 - 2022

July 23, 2019



INTRODUCTION

The Program Audit Activity of the Office of Children's Services (OCS) is responsible for evaluating the adequacy and effectiveness of the systems of internal control and quality of performance in meeting mission requirements established by the State Executive Council (SEC) and the locally administered programs of the Children's Services Act (CSA). To accomplish our objective of promoting effective controls, high standards for sound fiscal accountability, and responsible use of taxpayer funds, our audits provide analyses, appraisals, recommendations, counsel, and information concerning various activities of CSA to assist CSA employees, partners, and other stakeholders to effectively administer CSA.

We will add value to OCS goals by:

- Reviewing the adequacy of CSA risk management, governance, and control processes.
- Determining whether the established goals and objectives of CSA are accomplished.
- Determining the extent of compliance with CSA laws, statutes, policies and procedures, etc.
- Reviewing the reliability and integrity of CSA program and financial information.
- Evaluating the controls governing the safeguarding of CSA assets and/or data.
- Appraising whether CSA resources are used effectively and efficiently.
- Recommending operational improvements.

Program Audit personnel possess the training, expertise, and experience to effectively evaluate locally administered CSA programs. Auditors are required to comply with the continuing professional education criteria established by the Institute of Internal Auditors and the Department of State Internal Auditor. Personnel are encouraged to pursue professional certification as Certified Internal Auditors.

We will continue to look for ways to improve our audit programs to ensure that we consistently add value to the Office of Children's Services.

A handwritten signature in blue ink, reading 'Stephanie S. Bacote', is positioned above a horizontal line.

Stephanie S. Bacote, CIGA
Program Audit Manager

AUDIT WORK PLAN SUMMARY

FISCAL YEAR 2020	FISCAL YEAR 2021	FISCAL YEAR 2022
Alleghany/Covington	Accomack/Northampton	Albemarle
Arlington	Amherst	Alexandria
Bristol/Washington	Appomattox	Amelia
Buchanan	Augusta/Staunton/Waynesboro	Bath
Campbell	Caroline	Bedford County
Carroll	Charles City	Bland
Chesapeake	Charlotte	Boteourt
Danville	Chesterfield/Colonial Heights	Brunswick
Fauquier	Culpeper	Buckingham
Floyd	Cumberland	Charlottesville
Fluvanna	Dickenson	Clarke
Franklin County	Essex	Craig
Giles	Fairfax/Falls Church	Dinwiddie
Greene	Frederick	Franklin City
Halifax	Goochland	Fredericksburg
Henrico	Henry/Martinsville	Galax
Hopewell	King William	Gloucester
King George	Loudoun	Grayson
Lancaster	Louisa	Greensville/Emporia
Lee	Lunenburg	Hampton
Lynchburg	Manassas City	Hanover
Madison	Manassas Park	Highland
Mecklenburg	Nelson	Isle of Wight
Montgomery	Newport News	James City
Norfolk	Page	King & Queen
Nottoway	Patrick	Mathews
Orange	Petersburg	Middlesex
Pittsylvania	Pulaski	New Kent
Portsmouth	Richmond City	Northumberland
Prince William	Roanoke County	Norton
Rappahannock	Russell	Poquoson
Roanoke City	Salem	Powhatan
Rockbridge/Lexington/Buena Vista	Smyth	Prince Edward
Rockingham/Harrisonburg	Spotsylvania	Prince George
Scott	Suffolk	Radford
Sussex	Warren	Richmond County
Tazewell	Westmoreland	Shenandoah
Virginia Beach	Williamsburg	Southampton
Wise	Winchester	Stafford
Wythe	York	Surry

FY 2020 AUDIT WORK PLAN HOURS

LOCALITY AUDITS, PROJECTS, AND REVIEWS			
Onsite Audits	Planned Work Hours	Self-Assessment Validations	Planned Work Hours
Alleghany/Covington	230	Buchanan	40
Arlington	230	Bristol/Washington	40
Carroll	230	Campbell	32
Chesapeake	230	Floyd	40
Danville	230	Giles	32
Fauquier	230	Greene	32
Fluvanna	230	King George	40
Franklin County	325	Lee	40
Halifax	200	Montgomery	32
Henrico	325	Norfolk	40
Hopewell	230	Nottoway	32
Lancaster	115	Pittsylvania	32
Lynchburg	325	Portsmouth	32
Madison	200	Prince William	32
Mecklenburg	200	Rockingham/Harrisonburg	40
Orange	230	Tazewell	40
Rappahannock	125	Virginia Beach	40
Roanoke City	325		
Rockbridge/Lexington/Buena Vista	275		
Scott	200		
Sussex	125		
Wise	230		
Wythe	230		
Special Projects			Planned Work Hours
To be determined			220

Total Work Plan Hours

6106

Refer to the Audit Work Plan Summary for the listing of planned audits for fiscal years 2021 - 2022. Classifications of audits as either on-site or self-assessment validation engagement for fiscal years 2021 - 2022 will be scheduled in accordance with the results of the annual risk assessment. Pending the results of the annual risk assessment, the Audit Work Plan Hours for fiscal years 2021 - 2022 will be updated and published accordingly.

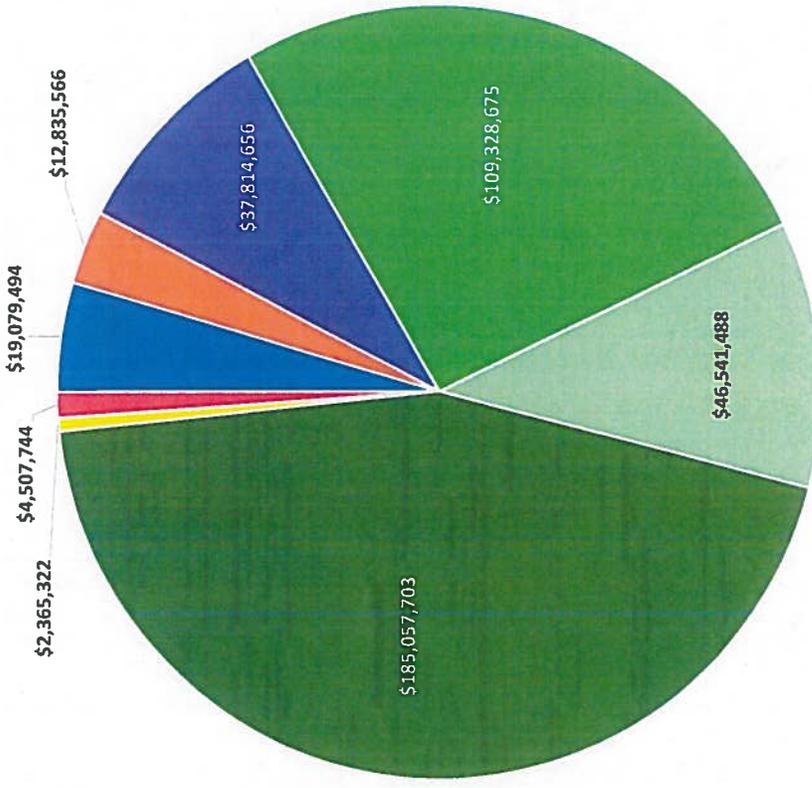
Overview of CSA Expenditures and Utilization

FY2019

Prepared for the SEC Finance and Audit Committee

November 18, 2019

CSA Expenditures by Category FY2019



Total FY2019 CSA Expenditures
 \$418,208,262
 (increase of 6.2% from FY2018)

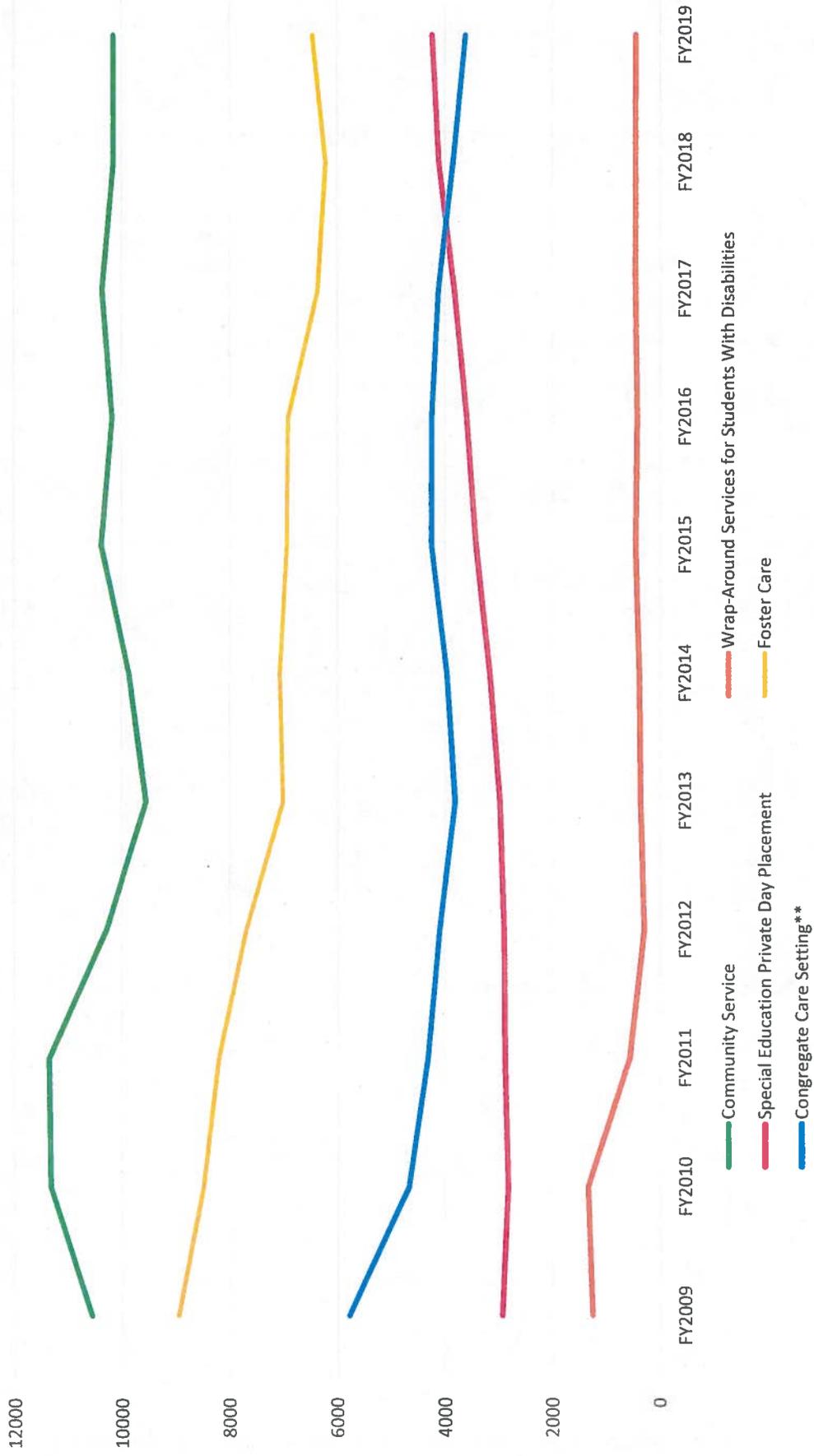
State Share = 66%

- Foster Care Residential
- CHINS Residential
- Educational Services - Residential
- Foster Care Non-Congregate
- Community - Based
- SPED Private Day
- SPED Wraparound
- Non-Mandated Community-Based

FY2019 CSA Trends

- Overall CSA census has been essentially flat over the past four years while expenditures continue to grow.
- Private day special education census (+3%) and costs (+7.1%) grew at a slower rate in FY2019 than in the several preceding years.
- Foster care census (+4%) and costs (+11%) grew for the first time after three years of steady decline.
- Overall congregate care census (-6%) and costs (-6.5%) declined, continuing a four year downward trend.

Duplicated Child Count 2009-2019



Average Annual CSA Expenditures (Gross) by Service Type

